

Message Text

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POUCH AMCONSUL IBADAN, KADUNA

E.O. 11652: N/A

TAGS: EGEN, NI

SUBJECT: GOWON INDEPENDENCE DAY SPEECH: ECONOMIC ASPECTS

REF: LAGOS 9194

1. SUMMARY. ALTHOUGH DRAMTIC EMPHASIS OF SPEECH WAS ON POLITICAL SITUATION AND NEED FOR SELF SUSTAINING STABILITY AS PRECLUDE FOR RETURN OF CIVILIAN RULE, GENERAL GOWON REVIEWED AT LENGTH AND WITH APPROVAL SOCIAL/ECONOMIC ACHIEVEMENTS OF SECOND DEVELOPMENT PLAN AND OFFERED EXTENSIVE SUMMARY OF HIGHLIGHTS THIRD PLAN, THAT "WOULD BRING ABOUT RADICAL TRANSFORMATION OF ECONOMY AND SIGNIFICANT IMPROVEMENT IN STANDARD OF LIVING OF EVERY CITIZEN." HE ALSO UNVEILED NEW REVENUE SHARING PLAN INTENDED TO ASSURE STATES OF INCREASED FUNDS FOR THEIR OWN CAPITAL PROGRAMS AND TO DEFUSE POLITICS OF REVENUE SHARING QUESTION. ALTHOUGH SPEECH SPARSE ON SPECIFICS AND AVOIDED CERTAIN ISSUES AND DECISIONS ITS EMPHASIS ON STABILITY AND ACCELERATED DEVELOPMENT WELL RECEIVED AMONG BUSINESS COMMUNITY GENERALLY AND INCLUDING EXPARTRiate FIRMS.

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2. IN CONTRAST TO APRIL BUDGET SPEECH, GOWN APPARENTLY USED NOW GENERALLY ACCEPTED ESTIMATES OF NEW OIL REVENUES (SEE LAGOS TOAID A-42) AND PUT GDP FOR 1974/75 AT N14.0 BILLION (APPROXIMATELY DOLS 22.7 BILLION AT N EQUALS DOLS 1.62) IN CURRENT PRICES RISING TO N21.6 BILLION (OR DOLS 35.0 BILLION) IN 1979/80, AT CONSTANT 1974/75 PRICES. OVER THE PERIOD OF THE THIRD PLAN (APRIL 1, 1975 TO MARCH 31, 1980) HE ESTIMATED TOTAL INVESTMENT WOULD REACH APPROXIMATELY N30.0 BILLION (OR NEARLY DOLS 50.0 BILLION) AND THAT ABOUT N20.0 BILLION (OR MORE THAN DOLS 30.0 BILLION) WOULD EMANATE FROM FEDERAL, STATE AND LOCAL GOVERNMENTS AND STATUTORY OR STATE OWNED COMPANIES.

3. REPORTS ARE CURRENT THAT THIRD PLAN, ORIGINALLY SCHEDULED FOR PUBLICATION IN LATE 1974, NOW LIKELY TO APPEAR ONLY IN EARLY 1975, AND GOWN FOCUSED MORE ON AMOUNTS TO BE ALLOCATED TO PRIORITY SECTORS THAN UPON SPECIFIC PROJECTS. HE CITED FOLLOWING FIGURES FOR MAIN PUBLIC SECTOR ALLOCATIONS OVER THIRD PLAN PERIOD: AGRICULTURE N1.4 BILLION (OR DOLS 2.3 BILLION); INDUSTRY, N6.0 BILLION (OR DOLS 9.7 BILLION); POWER, N163 MILLION (OR DOLS 195 MILLION) FOR TRANSMISSION AND DISTRIBUTION WITH UNSPECIFIED AMOUNT FOR EXPANDING GENERATING CAPACITY FROM 500 MEGAWATTS TO 1500 MEGAWATTS BY 1980; TRANSPORT, ABOUT N4.1 BILLION (OR DOLS 6.6 BILLION) OF WHICH OVER N3.0 BILLION EARMARKED FOR ROADS; COMMUNICATIONS, N774 MILLION (OR DOLS 1,250 MILLION); EDUCATION N2.0 BILLION (OR DOLS 3.2 BILLION); HEALTH N659 MILLION (OR DOLS 1067 MILLION); REGIONAL DEVELOPMENT, INCLUDING HOUSING, WATER, SEWAGE, COMMUNITY DEVELOPMENT, N3.2 BILLION (OR DOLS 5.2 BILLION) OF WHICH HOUSING ACCOUNTS FOR NEARLY N2.0 BILLION.

4. AIRGRAM FOLLOWS WITH DETAILS THIRD PLAN REVENUE AND EXPENDITURE SECTION OF SPEECH.

5. AMONG MAJOR INDUSTRY PROJECTS TO WHICH GOWN DID REFER WAS LONG AWAITED PLAN FOR LIQUEFIED NATURAL GAS, BUT HE SAID ONLY THAT 2 LNG PROJECTS WOULD BE IMPLEMENTED IN THIRD PLAN PERIOD AT TOTAL COST OF N2.1 BILLION OR DOLS 3.4 BILLION. (SEE SEPTTEL FOR OTHER OIL AND GAS ASPECTS OF SPEECH)

6. IN OBVIOUS EFFORT DEFUSE POLITICAL ASPECTS OF FEDERAL REVENUE SHARING, WHICH IS NOW EMBODIED IN FORMULA THAT RELIES UNCLASSIFIED

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HEAVILY ON POPULATION OF STATE AND UPON GENERATION OF REVNUES, E.G. OIL ROYALTIES, WITHIN STATE, GOWN AGREED THAT REVENUE ALLOCATIONS TO STATES SHOULD BE SEEN AS MEANS OF FINANCING STATE DEVELOPMENT PROGRAMS AND REVIEWED FROM TIME TO TIME IN THAT CONTEXT AND THAT OLD NOTION OF ENTRENCHING PERCENTAGE SHARES OF STATE GOVERNMENTS IN PERMANENT CONSTITUTIONAL DOCUMENT SHOULD BE DISCARDED. HE ANNOUNCED THAT WITH EFFECT FROM APRIL 1975 NEW FORMLA WOULD BE ADOPTED THAT WOULD CUT FROM 45 TO 20

PERCENT OIL ROYALTIES PAID TO STATES ON ACCOUNT OF "DERIVATION", I.E. LOCATION OF OIL, AND THAT PAYMENTS TO STATES OUT OF SO CALLED DISTRIBUTABLE PPOL ACCOUNT (MADE UP MOSTLY OF REMAINDER OF OIL ROYALTIES, BUT NOT TAXES, AND CUSTOMS AND EXCISE RECEIPTS) WOULD BE MADE ON BASIS OF FORMULA OF 50 PER CENT FOR POPULATION AND 50 PER CENT EQUAL SHARES. GOWON ADDED THAT OBJECTIVE WOULD BE TO ENSURE THAT THROUGH COMBINATION ASSURED FEDERAL ALLOCATIONS AND ITS OWN TAX EFFORTS, EACH STATE SHOULD BE ABLE TO FINANCE ABOUT TWO-THIRDS OF ITS APPROVED CAPITAL PROGRAMS, WITH REMAINDER TO BE COVERED BY "LOANS AND CONDITIONAL GRANTS FROM FMG OR ITS FINANCING AGENCIES.

HE PUT STATE DEVELOPMENT SPENDING OVER THIRD PLAN AT TOTAL OF N6.5 BILLION (DOLS 10.5 BILLION.) (AIRGRAM FOLLOWS ON REVENUE SHARING PLAN).

7. REVIEW OF ACHIEVEMENTS UNDER SECOND DEVELOPMENT PLAN WAS NOW FAMILIAR RECAPITULATION OF KIND CONTAINED IN APRIL BUDGET SPEECH AND SECOND PROGRESS REPORT ON PLAN AND OFFERED NOTHING REALLY NEW. PREDICTABLY GOWON HIGHLIGHTED THAT FMG IS NOW MAJORITY SHAREHOLDRE IN FOREIGN OIL COMPANIES AND LEADING EXPATRIATE BANKS AND POINTED TO SUCCESS OF ENTERPRISES PROMOTION DECREE (SO-CALLED INDIGENIZATION DECREE.) HIS ESSENTIAL THEME IN RESPECT TO THE SECOND PLAN WAS THAT ALTHOUGH IT HAD FAILED OF FULLFILMENT IN CERTAIN RESPECTS, IT HAD NONETHELESS SUBSTANTIALLY ACHIEVED ITS OBJECTIVE OF REHABILITATION AND RECONSTRUCTION AND THAT "GIVEN PEACE AND STABILITY" WAY WAS NOW CLEAR FOR THIRD PLAN RADICALLY TO TRANSFORM THE ECONOMY AND "FOR IMPROVING THE LOT OF ALL OF YOU, THE GOOD PEOPLE OF NIGERIA."

8. COMMENT. AMONG TOPICS NOTABLE ON ACCOUNT OF THEIR ABSENCE WAS ANY REFERENCE TO EXTERNAL FINANCING OR FOREIGN INVESTMENT. THERE WERE NONE. NOR DID GOWON INDULGE IN MORE OR LESS
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CUSTOMARY OBSERVATIONS ABOUT LIMITATIONS THAT EXECUTIVE CAPACITY IMPOSE ON DEVELOPMENT. HE CONCEDED THERE MIGHT BE DOUBTS ABOUT GOVERNMENT'S ORGANIZATION AND MANPOWER CAPABILITIES TO CARRY OUT THIRD PLAN, BUT ASSERTED TOTAL COMMITMENT TO THE SUCCESSFUL IMPLEMENTATION. UNLIKE APRIL BUDGET SPEECH, WHEN HE SINGLED OUT INFLATION FOR SPECIAL ATTENTION, AND ANNOUNCED REDUCTION IN IMPORT TARIFFS AND INTRODUCTION PRICE CONTROLS, GOWON SETTLED THIS TIME FOR PROMISE THAT EVERYTHING POSSIBLE WOULD BE DONE BY NEW YEAR TO ENSURE PAYMENT OF NEW (AND HIGHER) SALARIES FOR CIVIL SERVICE AND ARMY. SPEECH ALSO AVOIDED FIRM DECISIONS ON VARIETY OF LONG AWAITED MAJOR PROJECTS, LIKE LNG. AMONG BUSINESS COMMUNITY WE HAVE FOUND CERTAIN DISAPPOINTMENT AT SPEECH'S OMISSIONS AND LACK OF SPECIFICS AND DECISIONS, BUT OVERALL IMPACT POSITIVE. SPEECH SEEN AS PUTTING GENERAL

HIMSELF AS WELL AS FMG FIRMLY BEHIND COMMITMENT TO ACCELERATE
DEVELOPMENT FOR BENEFIT OF ALL NIGERIA IN CLIMATE OF POLITICAL
STABILITY, AND FIRST REACTIONS WE HAVE HAD FROM BUSINESS
COMMUNITY GENERALLY, INCLUDING EXPATRIATE FIRMS, ARE THAT THIS
IS WELCOME MESSAGE.

REINHARDT

NOTE BY OC/T: POUCHED IBADAN AND KADUNA.

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